GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:4137
ANSWERED ON:14.12.2001
NEW PRIVATE BANKS
CHANDRA BHUSHAN SINGH;RAOSAHEB PATIL DANVE;RAVINDRA KUMAR PANDEY

Will the Minister of FINANCE be pleased to state:

(a) whether RBI has in principle agreed to give green signal for new private banks;

(b) if so, the State-wise details of the proposals examined and approved by the RBI;

(c) the details of the criteria under which these proposals have to pass through;

(d) whether the Government propose to increase the percentage of promoters capital share to protect the customers/investors;

(e) if so, the details thereof; and

(f) if not, the manner how the Government propose to protect the investors/customers ?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL)

(a)&(c): Reserve Bank of India (RBI) has issued revised guidelines in January, 2001 on entry of new banks in the private sector. These guidelines, inter-alia, stipulate initial minimum paid-up capital for a new bank shall be Rs.200 crore (which shall be increased to Rs.300 crore in three years), minimum promoter`s contribution of 40% of the paid up capital, maintaining arms-length relationship with business entities in the promoter group, no large industrial house shall promote a new bank, maintenance of minimum capital adequacy ratio of 10%, permitting conversion of NBFCs with good track record into banks etc.

(b): RBI has reported that the applications received by it were referred to a High-Level Advisory Committee set up by RBI and it has submitted its recommendations, which are under examination of RBI.

(d): No, Sir.

(e): Does not arise.

(f): RBI is of the view that its guidelines provide adequate protection the customers/investors.